

EXHIBIT D

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1 UNITED STATES DISTRICT COURT
1 SOUTHERN DISTRICT OF NEW YORK
2 -----X

3 UNITED STATES OF AMERICA, New York, N.Y.
3
4 v. 05 Cr. 390 (SHS)
4
5 JOSEPH BONGIORNO, et al.,
5
6 Defendants.
6
7 -----X

8
8 February 7, 2006
9 3:40 p.m.
9

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10 Before:

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11 HON. SIDNEY H. STEIN,
12
12 District Judge
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13
14 A PPEARANCES
14

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15 United States Attorney for the
16 Southern District of New York
16 BY: ANTHONY BARKOW
17 Assistant United States Attorney
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20 Attorneys for Defendant Patrick McGagh
21 BY: MARJORIE PEERCE
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23 Attorneys for Defendant Michael Hayward
23 BY: JONATHAN PAUL BACH
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1 APPEARANCES CONTINUED
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1 (Defendants not present)
2 THE CLERK: United States v. Joseph Bongiorno, et al.,
3 05 Cr. 390.
4 Counsel, please state your names for the record.
5 MR. BARKOW: Good afternoon, your Honor. Anthony
6 Barkow on behalf of the United States.
7 MR. BERKE: Good afternoon, your Honor. Barry Berke,
8 of Kramer and Levin, on behalf of Mr. Bongiorno.
9 MR. SCHAPIRO: Andy Schapiro, from Mayer, Brown, for
10 Robert Scavone.
11 MR. BACH: Jonathan Bach, from Kronish Lieb, for
12 Michael Hayward.
13 MR. MEISTER: David Meister, Clifford Chance, for
14 Michael Stern.
15 MR. BROWN: Jason Brown, from Ropes & Gray, for Gerard
16 Hayes.
17 MR. SERCARZ: Maurice Sercarz and Roland Riopelle for
18 Richard Volpe.
19 MS. PEERCE: Margie Pearce, from Stillman & Friedman,
20 for Patrick McGagh.
21 THE COURT: Good afternoon to all of you. Please be
22 seated.
23 I take it that all of you are waiving your clients'
24 appearances today and that your clients are aware of all of
25 that. Is there anyone who -- rather than all of you saying
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1 yes, yes, yes, yes, yes, is there anyone who disagrees with
2 that?
3 (Pause)
4 All right.

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5 I have reviewed the extensive papers filed on the two
 6 motions, that is, the Rule 16 motion for discovery filed by the
 7 defendants and the subsequent motion for a bill of particulars
 8 filed by defendants. I also have been reading the materials
 9 that you have been sending me in the past few days in regard to
 10 Judge Chin's thinking and Judge Baer and Judge Castel. It is
 11 always helpful to see what my colleagues are doing. I am
 12 prepared to rule on the outstanding motions. Unless there is
 13 anything that any of the parties wanted to tell me that's
 14 happened in terms of your discussions with each other, anything
 15 else that I should be aware of?

16 (Pause)

17 All right. Defendants have moved pursuant to Rule 16
 18 to compel the government to produce four different areas of
 19 documents. One is the display book screenshots for every
 20 alleged violation from October 1, 2002 as well as for other
 21 trades made by defendants. The second group is SEC materials
 22 concerning trading ahead and interpositioning. The third are
 23 the New York Stock Exchange documents concerning the definition
 24 and identification of intentional trading ahead and
 25 interpositioning; and the fourth is the number of alleged

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1 trading ahead and interpositioning violations by specialists in
 2 similarly busy stocks.

3 That's on the Rule 16 motion, and as I said, there is
 4 a separate motion for a bill of particulars.

5 Let's do it one by one.

6 The Stock Exchange has assembled at the government's
 7 request screenshots of what appeared on defendants' display
 8 books while they engaged in some of the trades at issue. The
 9 government asserts that each set of screenshots shows exactly
 10 what transpired on a specialist's display book during the
 11 course of an allegedly improper trade, and the government has
 12 turned over to the defense approximately 30 sets of screenshots
 13 per defendant which everyone agrees are a small fraction of the
 14 allegedly illegal activity that's charged here.

15 Pursuant to Rule 16, the defendants seek screenshots
 16 for all of the remaining alleged violations charged in the
 17 Indictment for which the Stock Exchange still has data. They
 18 seek the underlying data used to produce the screenshots, the
 19 software used to generate the screenshots, and screenshots for
 20 relevant trades material to the defense other than those
 21 identified in the Indictment.

22 Rule 16, you all know, applies to items that are in
 23 the possession, custody or control of the government. The
 24 screenshots themselves are not in the government's custody or
 25 control but, rather, are in the Stock Exchange's.

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1 Specifically, as far as I understand it, the requested
 2 screenshots actually don't currently exist but the data that
 3 can be used to generate them does, as well as the proprietary
 4 software that's needed in order to generate them. All of that
 5 is in the custody and control of the New York Stock Exchange.

6 The question, then, is whether "the government" in
 7 Rule 16 can incorporate the New York Stock Exchange. The

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8 Second Circuit has not defined "the government" for purposes of
 9 Rule 16. A leading case is *United States v. Giffen*, 379
 10 F.Supp.2d 337, 343 (S.D.N.Y. 2004). The government asserts
 11 that there has to be a joint investigation between the
 12 government and the third party here, the New York Stock
 13 Exchange, in order for Rule 16 obligations to apply to the
 14 government. See *United States v. Volpe*, 42 F.Supp.2d 204 at
 15 221, and *United States v. Upton*, 856 F.Supp. 727 at 749-50,
 16 *United States v. Guerrerio*, 670 F.Supp. 1215 (S.D.N.Y. 1987).
 17 The case law supports the defendants' position that
 18 Rule 16 applies to more than just joint investigations, and
 19 cases outside the Second Circuit also suggest that Rule 16
 20 extends beyond joint investigations. See *United States v.*
 21 *Santiago*, 46 F.3d 885, 894 (9th Cir. 1995), *United States v.*
 22 *Trevino*, 556 F.2d 1265 at 1272 (5th Cir. 1977). The case law
 23 supports the position that Rule 16 applies to more than joint
 24 investigations.

25 Here we know there was no joint investigation between
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1 the government and the New York Stock Exchange. No Stock
 2 Exchange personnel participated in or attended any witness
 3 interview conducted by the government. The Stock Exchange was
 4 not involved in the government's charging decisions, and the
 5 Stock Exchange and the FBI agents did not work together,
 6 according to the information. I note that Judges Baer and Chin
 7 relied on those facts in determining that there was no joint
 8 investigation between the Stock Exchange and the prosecution.
 9 See *United States v. Foley* and *United States v. Delaney* and
 10 *United States v. Finnerty* and *United States v. Murphy*.
 11 The question under these cases is whether the
 12 government has access to the screenshots. Interpreting
 13 "access" as defined in Webster's Third New International
 14 Dictionary is "permission, liberty or ability to enter,
 15 approach, communicate with or pass to and from." The
 16 government doesn't have the permission, liberty or ability to
 17 make use of the screenshot data without the compliance and
 18 agreement of the New York Stock Exchange. If the government
 19 absent a court order went to the Stock Exchange and asked that
 20 it produce the numerous screenshots requested by the
 21 defendants, the Stock Exchange certainly would be within its
 22 rights to refuse to do so. In this way, the relationship
 23 between the government and the Stock Exchange is similar to
 24 that between the state and federal officials in *United States*
 25 *v. Chavez-Vernaza*, 844 F.2d 1368 (9th Cir. 1987).

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1 I therefore conclude that the government does not as a
 2 legal matter have access to the screenshots. I therefore am
 3 denying defendants' first discovery request because under the
 4 applicable standard the screenshots do not fall within the
 5 parameters of Rule 16.

6 Now, that leaves the Rule 17 analysis. I have no
 7 subpoena before me, and I'm not going to rule on what would
 8 have happened if there were any such subpoena. The standards
 9 there would be different.

10 I can say that based on what I know so far, it strikes

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11 me that the burden on the New York Stock Exchange in generating
 12 these screenshots, if there were such a Rule 17 subpoena, would
 13 be extremely high. Again, I repeat, I don't have a subpoena in
 14 front of me, there is no motion to quash the subpoena, but I
 15 wanted to give you a heads up on the Rule 17 issue as I see it
 16 now.

17 In addition, the government has offered to provide
 18 defendants with access to the software and data that can be
 19 used to generate screenshots for any trade that occurred on any
 20 of the dates for which the government has already produced
 21 screenshots. As I understand that, each defendant would then
 22 have the ability to generate sets of screenshots for every one
 23 of the trades that they made on any of the days from which the
 24 30 sets of screenshots per defendant that have already been
 25 produced were generated. That seems to me to make an awful lot

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1 of sense as a way to cabin this dispute, and it seems to me
 2 that the government's proposal to give the underlying data for
 3 those -- for all of the trades on the day on which they've
 4 already provided one of the 30 screenshots per defendant should
 5 be produced, and that is adequate in terms of the required
 6 screenshots.

7 The defendants then can try to test on that basis
 8 whether the chosen screenshots are truly representative
 9 samples. The defendants have the ability to come back to me if
 10 they have reason to believe that they are not truly
 11 representative, but at least that data will enable them to, I
 12 think, give a sense of whether or not they are truly
 13 representative.

14 Now, let's go to the second area, which is a request
 15 by the defendants for all SEC materials concerning trading
 16 ahead and interpositioning. This is because the SEC has
 17 conducted its own investigation into trading ahead and
 18 interpositioning by specialists at the New York Stock Exchange,
 19 including the seven defendants.

20 Indeed, the SEC instituted administrative proceedings
 21 against the defendants that closely track the allegations in
 22 this Indictment. The defendants seek relevant Rule 16 and
 23 Brady materials within the care, custody and control of the SEC
 24 pertaining to trading ahead and interpositioning activity
 25 during the relevant time period in the Indictment.

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1 As part of these materials, the defendants seek the
 2 OCIE report -- that is, the SEC Office of Compliance
 3 Inspections and Examinations -- report dated October 10, 2003,
 4 which concern the New York Stock Exchange surveillance of
 5 specialist trading firms during the relevant period as well as
 6 other materials.

7 The government responds that the documents are not in
 8 its custody, care or control and the documents are not material
 9 to the defense. The government says the SEC conducted two
 10 separate investigations -- sir?

11 MR. BARKOW: I'm sorry, your Honor. I don't mean to
 12 interrupt, but with respect to the OCIE report, before the
 13 Court went too far on this, the government is willing to

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14 produce that particular item.
 15 THE COURT: All right. I was about to say that the
 16 SEC conducted two separate investigations. You have already
 17 produced the first one.
 18 MR. BARKOW: Well --
 19 THE COURT: For one of the specialists.
 20 MR. BARKOW: There are two separate investigations.
 21 we have produced all SEC materials relating to the SEC
 22 investigation of specialists, and it is our position that we
 23 don't have the materials relating to the separate SEC
 24 investigation regarding the Stock Exchange except for the OCIE
 25 report --

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1 THE COURT: All right.
 2 MR. BARKOW: -- which we will produce.
 3 THE COURT: Turn the OCIE report over.
 4 What about the transcripts and the depositions that
 5 are taken in connection with the report?
 6 MR. BARKOW: That still is a live issue because we do
 7 not believe that that is something that we should produce at
 8 this point.
 9 THE COURT: All right. What is your rationale for
 10 turning over the report but not the depositions taken in
 11 connection with it because it seems to me that the report,
 12 which is going to test the propriety of the timing of the 60
 13 seconds, 10 seconds, 15 seconds, that I do think it is
 14 material, is going to be based on the underlying depositions,
 15 how can you separate out one from the other? Or what is the
 16 theory of separating out one from the other?
 17 MR. BARKOW: Well, first, your Honor, the -- if I
 18 could back up a little bit?
 19 The report, as the Court knows, I think was ordered to
 20 be produced by Judge Chin, and we are taking the position that
 21 once we produce it there, we should also produce it here.
 22 It is still our view that, although the Court
 23 disagrees, that the materiality of that is subject to question.
 24 However, with respect to the deposition transcripts,
 25 that is not the sole basis for the OC report, that is 3500

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1 material, and people -- if people whose deposition transcripts
 2 were taken are going to testify, the government will produce
 3 the 3500 material at the appropriate time according to the
 4 Court's schedule or with the agreement of the parties in
 5 advance of the testimony. But this is classic 3500 material,
 6 the deposition transcripts.
 7 The report synthesizes the results of the SEC's
 8 investigation from whatever sources. It was the government's
 9 view that it shouldn't be produced, but once it was ordered to
 10 be produced, we're willing to give it to these defendants as
 11 well, but they are distinct products from the deposition
 12 transcripts which cover a whole host of subjects and really are
 13 classic 3500 material.
 14 THE COURT: I had thought that Judge Chin had ordered
 15 the production not only of the report but -- well, his words
 16 were, at least in the oral transcript I was given, along with

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17 any Stock Exchange response to the report, any memoranda or
 18 correspondence relating to it that are also in the possession,
 19 custody or control of the government.

20 MR. BARKOW: OK. Now I understand the Court's
 21 question.

22 There are two categories of information that these
 23 defendants are seeking and one relates to the report and one
 24 relates to transcripts. Judge Chin ordered production of the
 25 reports and if -- and this is the way the government read it,

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1 and I can represent to the Court, our conversations with
 2 defense counsel in the cases before Judge Chin, they did, as
 3 well -- if there were additional materials that related -- for
 4 example, correspondence about the report between the Stock
 5 Exchange and the SEC, that type of thing would have to be
 6 produced.

7 However, the government right now does not have
 8 anything in its possession, custody or control regarding the OC
 9 report other than the OC report itself, and so we are making
 10 inquiries of the Stock Exchange whether there are additional
 11 materials. I don't know the answer to that right now. But
 12 that's a separate category. The correspondence and report are
 13 one category and the deposition transcripts are another, and
 14 Judge Chin did not rule -- did not order us to produce the
 15 transcripts.

16 THE COURT: Are you saying you don't have the
 17 deposition transcripts?

18 MR. BARKOW: We do but it is a separate -- the way
 19 that the issue was presented and argued before Judge Chin,
 20 there are two separate issues. One was the report and one was
 21 the transcripts. He ordered the production of the report and
 22 additionally said that if there was correspondence --

23 THE COURT: I understand.

24 MR. BARKOW: We do have transcripts. We do have
 25 transcripts. But that is not subject to Judge Chin's order and

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1 we are not producing it.

2 THE COURT: I understand now.

3 Tell me again what your rationale is for, if you are
 4 producing one, not producing the other, and I think your
 5 response has simply been classic 3500 material, and I don't
 6 think that directly addresses the point, because that says at
 7 some point we definitely are going to have to turn it over. I
 8 don't think it answers why it shouldn't be turned over now.

9 MR. BARKOW: Because, your Honor, we've given notice
 10 to the defendants and given them the names of witnesses who
 11 they might wish to speak to, in an abundance of caution, to
 12 identify those people who might say something that in our view
 13 is material to their defense. So we've identified for them by
 14 name those individuals and sent letters to them listing those
 15 individuals.

16 That without, over-generalizing, those individuals are
 17 the source of the information that is material to the
 18 defendants' defense.

19 The other individuals who testified in that

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20 investigation, there were a lot of subjects discussed in their
 21 testimony, and they are not sources of information, in our
 22 view, having reviewed the transcripts and having read them, of
 23 information that is remotely material to the defendants'
 24 defense, and, therefore, all they really are are prior
 25 statements of potential witnesses on subjects that may or may
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1 not be the subject, if they testify, of their testimony at
 2 trial.
 3 And because it doesn't have -- because these
 4 transcripts don't have information that's material to their
 5 defense in the same sense that the OC report does, we view that
 6 as just a different category of information just like a grand
 7 jury transcript would be --
 8 THE COURT: I understand.
 9 Does anybody on the defense side want to respond on
 10 the issue of the transcripts? Because I have directed the OCIE
 11 report to be turned over, and, in any event, the government is
 12 going to do it based on Judge Chin's ruling and his
 13 determination that it should apply here as well.
 14 Sir, Mr. Bach.
 15 MR. BACH: Yes, your Honor.
 16 I understood Mr. Barkow to be saying in the first
 17 instance that the government planned to produce these
 18 transcripts under Rule 3500.
 19 THE COURT: To the extent they were 3500 material,
 20 correct.
 21 MR. BACH: So that leaves open the possibility that
 22 there are transcripts that discuss the surveillance parameters
 23 that would not be disclosed to the defense pursuant to Rule
 24 3500. We think we are entitled to those now.
 25 Rule 16 applies. Rule 16 is broader than Brady in
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1 this district. Barkow has given us Brady notice. In our view,
 2 that only serves to underscore the importance and materiality
 3 of these materials. This is a simple call because the
 4 government has these documents in its possession, and there is
 5 no question about access, there is no question about joint
 6 investigation. They have them. They are easy to produce, and
 7 we think we are entitled to them.
 8 THE COURT: All right. Sir, did you want to respond?
 9 MR. BARKOW: Your Honor, the simple fact that there is
 10 a lot of testimony here, there are a lot of individuals, and
 11 the simple fact that the trading ahead or interpositioning
 12 might have been mentioned in a transcript does not convert
 13 transcript that is classic 3500 material, a detailed prior
 14 statement by a potential witness if they testify, into Rule 16
 15 material. Rule 16 contemplates this. Rule 26.2 contemplates
 16 this and says that Rule 16 is not an appropriate vehicle for
 17 the production of 3500 material.
 18 The OC report is a different animal, and these are
 19 prior statements, some of them, of potential witnesses. The
 20 government reviewed these statements, and if there was anything
 21 in it that we thought that, in an abundance of caution, should
 22 be disclosable, we brought the witness's identity to the

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23 attention of the defendants, and we did do that for several
24 people. But this is, in our view --

25 MR. RIOPELLE: Judge --
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1 THE COURT: Let him finish.
2 MR. BARKOW: In our view, your Honor, this is an
3 essentially an early request for 3500 material.
4 THE COURT: Thank you.
5 MR. RIOPELLE: Roland Riopelle.
6 They are only required to produce material for
7 witnesses they call. Are they representing now on the record
8 that they are going to call every person who was associated in
9 some way with the preparation of this report? If not, what
10 will happen is they have given us the names of witnesses who
11 they believe have information that is material to our defense
12 who have now refused to speak to us. They will not produce the
13 material that they have in their hands that will tell us
14 whether we should call those witnesses. They will not call
15 those witnesses. They will therefore not produce that
16 material, because it is not 3500 material, because they didn't
17 call the witness, and we will never have access to it.
18 Your Honor, you know, the Assistant U.S. Attorney,
19 most respectfully, has stood up and told us that he has decided
20 that some of this stuff is just not material to the defense. I
21 am not sure he's tried a lot of defense cases. I hadn't when I
22 was an Assistant U.S. Attorney, and I don't think it is fair to
23 let him make that judgment for us.
24 We ought to get this material. We ought to be able to
25 review it and decide who we are going to call. Giving us
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1 somebody's name whose lawyer tells us goodbye and hangs up the
2 phone on us is no substitute.
3 THE COURT: Yes, but you are only entitled to what
4 Rule 16 entitles you to. You are not entitled to everything
5 that exists in the government's files.
6 MR. RIOPELLE: Let me also add, your Honor, that with
7 respect to this report, we may want to cross-examine a witness
8 or two about it, and knowing what was said about it by all the
9 people in the room when it was prepared is going to be material
10 to that cross-examination, and that is squarely within Rule 16.
11 THE COURT: Go ahead.
12 MS. PEERCE: Your Honor, if I might just add? If your
13 Honor has concluded that the report is material, I am a little
14 bit confused as to how the government's position can be that
15 the material that went into creating the report is not
16 material.
17 THE COURT: That's why I was addressing my question to
18 Mr. Barkow, and I think what he is saying is that the
19 depositions may have touched simply briefly on this issue and,
20 in fact, may contain a lot of material, a lot of information
21 that is not part of the report.
22 Is that essentially correct?
23 MR. BARKOW: That is essentially correct, Judge.
24 MS. PEERCE: Then, your Honor, if there are parts in
25 there that deal with the issues that are material to this case,

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1 are we not entitled to it now?

2 MR. BARKOW: Your Honor, to draw an analogy, if we
3 have a grand jury transcript of a witness who we don't call who
4 talks about the subject matter of a defense, if what they say
5 is not exculpatory, not material and doesn't get into detail in
6 any way that is material to the preparation of the defense, it
7 is not something that needs to be produced.

8 THE COURT: It is a traditional issue that the defense
9 is arguing: why should the adversary be deciding what is
10 material?

11 MR. BARKOW: Well, your Honor, I think with respect to
12 transcripts in particular, and it is not just tradition and the
13 practice of the courts in this district, it is the law because
14 it is a prior statement by a potential witness, and the law is
15 that that transcript doesn't need to be turned over, the prior
16 statement, until after the direct testimony.

17 We are not taking the position that we will wait until
18 then, but that is a classic kind of impeachment --

19 THE COURT: Mr. Riopelle is conceding that, but he is
20 raising the issue of people who you may not call --

21 MR. BARKOW: That is correct, your Honor.

22 THE COURT: -- who have given material information.
23 That is his point.

24 MR. RIOPELLE: That is exactly correct.

25 MR. BARKOW: That is correct, your Honor.

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1 And we have reviewed those transcripts, and I can
2 represent to the Court, in our view, and I understand that, you
3 know, this is just inherent to the situation, but in our view,
4 we erred on the side of disclosure and we, in an abundance of
5 caution, identified witnesses that the defendants might wish to
6 speak to. That is a separate issue, then.

7 THE COURT: I understand.

8 Mr. Shapiro, go ahead. Last round.

9 MR. SCHAPIRO: Just one final note, your Honor, and
10 that is I think that the circumstance that Mr. Barkow is
11 referring to when he talks about classic 3500, analogizing it
12 to grand jury transcript, is quite different from what we have
13 here today, because what we have today is transcripts that form
14 the basis of a report that has already been determined to be
15 material and that is being turned over to the defense. So we
16 are not asking for grand jury transcripts. Grand jury is a
17 very different situation governed by very different rules. We
18 are not seeking those.

19 These transcripts, the only thing they have in common
20 with grand jury transcripts is that they are transcripts.
21 Other than that, they are quite distinguishable.

22 THE COURT: All right. I am going to --

23 MR. BARKOW: Your Honor, if I may make two more
24 points?

25 THE COURT: Yes.

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1 MR. BARKOW: One is the fact that the grand jury
 2 status is irrelevant, it could have been deposition transcript.
 3 But moreover, I submit to the Court, if the Court is inclined
 4 at this point to order disclosure of these, I would ask the
 5 Court to allow us to review them again, to submit something to
 6 the Court perhaps ex parte detailing what these witnesses said
 7 about these subjects, so that the Court can make a fully
 8 informed decision on this. Because in our view what we would
 9 be doing is giving to the defendants transcripts that we view
 10 as classic 3500 far in advance of trial, and we would ask the
 11 Court --

12 THE COURT: I understand. I actually was about to
 13 rule that they didn't have to be turned over, but I will take
 14 that government offer. All right? So why don't you make that
 15 submission to me and I will take a look at it. I guess you
 16 would want to do it ex parte.

17 MR. BARKOW: Yes, your Honor.

18 THE COURT: You certainly can. But what I was going
 19 to say is, on the representation that had been made about the
 20 fact that it is either 3500 material or it is not material, I
 21 was going to accept that representation. But I certainly will
 22 accept the additional information that the government so kindly
 23 offered.

24 MR. RIOPELLE: Can Mr. Barkow, your Honor, please
 25 state on the record whether he is actually going to call all of
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1 the people who are identified in the letters --

2 THE COURT: No, I am not going to ask the government
 3 to make that determination now. Let's move on.

4 The third area of documents requested is the New York
 5 Stock Exchange documents regarding the surveillance and
 6 monitoring practices.

7 MR. BACH: Judge, before we move on, if I could
 8 briefly address the existence of related correspondence and
 9 memoranda?

10 THE COURT: Go ahead.

11 MR. BACH: I think Mr. Barkow described two categories
 12 about that.

13 Within the possession of the SEC, we believe there is
 14 a wealth of correspondence and materials relating to some of
 15 the subjects addressed in the OCIE report that the government
 16 has acknowledged to be material. The OCIE report, we believe,
 17 was the culmination of a long back-and-forth between the SEC
 18 and the New York Stock Exchange. The inspection grew out of a
 19 series of discussions and the issues that had been addressed
 20 over a period of months and years, and we believe that there
 21 are documents in the government's possession and in the SEC's
 22 possession that talk about the surveillance parameters, whether
 23 they can be meaningfully produced without generating false
 24 positives, whether they can be --

25 THE COURT: Apparently the defense, which may not
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1 involve you ladies and gentlemen, and the government have
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2 reached an understanding as to what the Chin order referred to
3 in terms of the report and any memoranda or correspondence
4 relating to it in the possession of the government; is that not
5 so?

6 MR. BACH: We haven't discussed it. We haven't
7 reached --

8 MR. BARKOW: I meant in the case before Judge Chin,
9 your Honor.

10 THE COURT: All right. What is that understanding,
11 again, in regard to the phrasing of memoranda or
12 correspondence? I was, in my own mind, I had taken a very
13 relatively narrow view of that, that is, things that would say
14 here's the report. But go ahead.

15 MR. BARKOW: That is essentially the understanding
16 that we have and I think the defense lawyers in the case before
17 Judge Chin have. I think that Mr. Bach had a conversation with
18 my co-counsel about this subject that I wasn't a party to, but
19 I don't think we reached any agreements or understandings in
20 interpreting that.

21 THE COURT: It seems to me that transmittal memos or
22 something like that, I am not going to have them produce all of
23 the backup information that related to the report. It is the
24 report that is the central thing here.

25 Let's move on to the third area, and that is the Stock
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1 Exchange documents regarding surveillance and monitoring
2 practices, that is, the determination to use the timing of
3 10/15 seconds rather than the 60 seconds.

4 Does the government have possession of those documents
5 and have you reviewed them?

6 MR. BARKOW: No, your Honor. We have never seen them.

7 THE COURT: I wouldn't think so. That was the
8 representation that was made in the other case.

9 I am going to hold this -- it is the same analysis as
10 the screenshots themselves. No joint investigation. The
11 government hasn't reviewed them. The government doesn't have
12 access to them, doesn't possess them. So I'm going to deny the
13 Rule 16 application. The same as the Rule 17 subpoenas, but,
14 again, that is not in front of us.

15 Sir.

16 MR. MEISTER: Your Honor, David Meister.

17 May I just be heard briefly on that?

18 THE COURT: Yes, sure.

19 MR. MEISTER: As I heard your Honor's ruling with
20 respect to the first category of documents, the screenshots,
21 your Honor's decision was based on the notion that the
22 government doesn't have access to the Stock Exchange's
23 materials, and I think what your Honor said was --

24 THE COURT: And it wasn't a joint investigation. I
25 wasn't limiting it to Rule 16, to joint investigations in terms

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1 of the government -- definition of "the government" but I went
2 beyond. Go ahead.

3 MR. MEISTER: As I understood, your Honor said that if
4 the government had access to the information, that maybe you

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5 would have come out differently, but your Honor concluded that
 6 the government did not have access because they didn't have
 7 sort of permission to --
 8 THE COURT: Well, the SEC or the Stock Exchange, the
 9 third entity could say no, we don't want to give them to you.
 10 MR. MEISTER: Your Honor, just on that point, I just
 11 want to bring one thing to your attention that maybe we haven't
 12 brought to your attention in all of our briefing, and that is
 13 that there is a Consent Order as between the SEC and the New
 14 York Stock Exchange that requires the New York Stock Exchange
 15 to provide any material that the SEC asks. They don't have a
 16 right to object.
 17 And we can bring that Consent Order to your Honor's
 18 attention. I actually just read it myself this past week, and
 19 so it is our fault if we haven't brought the material to your
 20 attention to date. But it is not like the government or
 21 particularly the SEC, the SEC would have to go to a Court to
 22 seek permission to gain access to this material. The SEC has
 23 an open right to that material.
 24 THE COURT: All right. The government in response
 25 could say, hey, the government does have access here because of
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1 this Consent Order of some kind.
 2 MR. BARKOW: Your Honor, I don't have the Consent
 3 Order in front of me. I will make a few points about it,
 4 though.
 5 First, that same Consent Order was brought to the
 6 attention of Judge Baer, and just so the Court is aware, and it
 7 did not persuade him and that litigation shifted to the Rule 17
 8 context.
 9 Secondly, the access given --
 10 THE COURT: To the extent the issue is whether or not
 11 the government has access regardless of Judge Baer's analysis,
 12 it seems to me that it may be relevant. So address that.
 13 MR. BARKOW: Secondly, the -- again, I don't have it
 14 in front of me, but the Consent Decree gives access to the SEC,
 15 not to the U.S. Attorney's Office, and as part of this civil
 16 settlement.
 17 And thirdly --
 18 THE COURT: If that is so, that seems to me
 19 dispositive on this issue.
 20 Go ahead.
 21 MR. BARKOW: Well, and, thirdly, these documents
 22 relate to the investigation of the Stock Exchange, and that, as
 23 is set forth in the papers, is a wholly separate part of the
 24 SEC investigation than the investigation of the specialists.
 25 And so the wall that I think the Court recognized earlier in
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1 its decision between the two separate investigations, the SEC
 2 investigation of the specialists and the SEC investigation of
 3 the Stock Exchange, we have no contact at all. I can't even
 4 identify a name for the Court who the SEC people are who work
 5 on the investigation of the Stock Exchange. And so that's
 6 just -- it is not something that the U.S. Attorney's Office has
 7 access to because the SEC can make requests in connection with

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8 its Stock Exchange investigation.
 9 THE COURT: All right. I am adhering to the ruling
 10 that the defense can present the terms of that to me later on
 11 if they want and see if it changes anything.
 12 MR. MEISTER: Thank you, your Honor.
 13 MR. BARKOW: I think the Court is getting to the next
 14 issue, which is data for nonindicted stocks.
 15 THE COURT: Yes.
 16 MR. BARKOW: And before the Court gets there, I want
 17 to tell the Court that this has been -- I can't keep it
 18 straight right now, but in another case this has been ordered
 19 to be produced in the form that it currently exists, and we are
 20 willing to do that here as well, so long as that production is
 21 not viewed or taken as a concession on admissibility, because
 22 we do not believe -- we don't believe that it was necessarily
 23 appropriately produced, but we don't believe it is admissible,
 24 and so long as we can litigate that issue down the road.
 25 THE COURT: Turning things over now does not concede
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 1 admissibility. So given the fact that the government has
 2 agreed, and I think the papers indicate that the government has
 3 agreed, I don't have to rule on it. So those reports will be
 4 turned over.
 5 MR. BERKE: Judge, to the extent it is helpful and
 6 your Honor would like us to address it, I think it is fairly
 7 straightforward, the Consent Decree is an exhibit to our motion
 8 papers and I can pass up a copy to your Honor.
 9 THE COURT: Yes.
 10 MR. MEISTER: It looks like it is Exhibit 11.
 11 MR. BERKE: Exhibit 11 on our motion papers.
 12 THE COURT: I have it.
 13 What section do you want to address me to?
 14 MR. BERKE: Judge, if I can, it is toward the end of
 15 the document. It is the end of Section C, Paragraph 30. Then
 16 it lays out -- it is Paragraph 30. And it lays out all the
 17 things the Stock Exchange has agreed to do pursuant to this
 18 agreement.
 19 And if I could note, Judge, on 30A, one of it is "to
 20 produce any and all documents and information requested by the
 21 Commission's staff without subpoena."
 22 And in the preceding paragraph, it refers to --
 23 THE COURT: wait just a moment.
 24 MR. BERKE: I'm sorry, Judge.
 25 (Pause)
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 1 THE COURT: Yes. Go ahead.
 2 MR. BERKE: And, Judge, if I can --
 3 THE COURT: That seems to me that that doesn't address
 4 the issue. What that says is the Stock Exchange will produce,
 5 without service of a subpoena, any documents that the SEC
 6 wants. Isn't that what that says?
 7 MR. BERKE: Yes.
 8 THE COURT: How does that address the issue before us
 9 here with regard to the Southern District of New York?
 10 MR. BERKE: Judge, if I can, I think there are three
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11 steps here. As I understand, and we've outlined in our papers
 12 probably ad nauseam that there is this question that very much
 13 is going to be a subject at trial, what is appropriate time
 14 parameters in order to draw assumptions as to whether conduct
 15 was intentional.

16 The Stock Exchange had the time parameter that had
 17 been used prior to any investigation. Thereafter, there is the
 18 SEC investigation of the New York Stock Exchange resulting in a
 19 variety of different things, including the OCI report that we
 20 have.

21 The OCI report, as we understand it, describes that
 22 the SEC determined that the appropriate time parameter was not
 23 the parameter historically used by the Exchange but rather the
 24 10 seconds and 15 seconds we've described, and they've done
 25 that based on all sorts of information that we don't have and I

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1 don't believe that we're going to have in response to the OCI
 2 report. That will just have, I believe, the conclusion and a
 3 description of how that conclusion was reached.

4 So what we're saying is the government -- the U.S.
 5 Attorney's Office now simply adopted what the SEC determined
 6 based on steps it took in connection with the New York Stock
 7 Exchange.

8 THE COURT: In terms of the time?

9 MR. BERKE: In terms of the time.

10 We are then left eventually saying we are going to
 11 have to cross-examine witnesses, we are going to argue at trial
 12 all about this 10 seconds, and we are not going to have any
 13 understanding or basis as to how they reached it. We believe
 14 there are documents that exist that will outline in great
 15 detail why the government believes this 10 seconds is
 16 appropriate and how the 10 seconds was reached in order to
 17 identify --

18 THE COURT: Not in the possession of the Southern
 19 District and the Southern District doesn't have access. This
 20 doesn't give the Southern District access, does it?

21 MR. BERKE: Judge, now what we are talking about is
 22 your Honor originally addressed whether or not the U.S.
 23 Attorney's Office has access to the quasi-public New York Stock
 24 Exchange. This is a step different. The SEC clearly has
 25 access to what is in the possession of the New York Stock

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1 Exchange on this issue we believe pursuant to the Consent
 2 Decree, and we would submit that the --

3 THE COURT: Say that again. I want to make sure that
 4 I am following it. That the SEC has access to the Stock
 5 Exchange on the basis of this document?

6 MR. BERKE: Exactly.

7 THE COURT: Right. Go ahead. I am with you.

8 MR. BERKE: We believe that the U.S. Attorney's Office
 9 has access to the documents in the possession of the SEC
 10 related to these issues. And I can go in greater detail why
 11 that is the case. I think is a very different analysis whether
 12 the U.S. Attorney's Office for the Southern District has access
 13 to documents in the possession of the SEC than whether they

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14 have access to documents in the possession of the New York
15 Stock Exchange.
16 THE COURT: So you're in effect conceding the lack of
17 access to the Stock Exchange but saying you can get there the
18 same way by going through the SEC because the SEC, by virtue of
19 this Consent Decree, can get them easily from the Stock
20 Exchange.
21 MR. BERKE: With all respect, your Honor, I'm
22 conceding your Honor's ruling on the issue of access to the
23 Stock Exchange, but I am saying it is a much stronger position
24 as to the SEC.
25 THE COURT: I understand. Go ahead.
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1 I don't think you get there, but if the government
2 wants to concede this point, I will take it.
3 MR. BARKOW: I don't, your Honor, so maybe I should
4 sit down on this one.
5 THE COURT: Say it, but make your record.
6 MR. BARKOW: The only thing I was going to stay in
7 addition to what I had said before is the caption here I think
8 illustrates my point. This is the investigation by the SEC of
9 the Stock Exchange, not the specialists.
10 THE COURT: I don't think the defense gets there but I
11 appreciate your argument, and I now better understand the use
12 that you are trying to make of this Consent Decree. You just
13 don't get there.
14 Let's turn to the bill of particulars.
15 Mr. Barkow, you have talked about trying to be
16 consistent here between the cases, and because I clearly didn't
17 have enough to read, Mr. Berke was kind enough to give me more
18 today with this letter with the transcript from Judge Chin.
19 I take it, you are prepared to adopt your description
20 of the allegations of what conduct is at issue as set forth
21 there on page 9 and 10?
22 MR. BARKOW: You are referring, your Honor, to the
23 Judge Chin transcript?
24 THE COURT: Yes.
25 MR. BARKOW: Yes.
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1 THE COURT: It is -- just so we are literally on the
2 same page, it is the attachment to Mr. Berke's
3 February 6th letter, and on the right-hand margin it looks like
4 the pagination is page 9 of 10. It is your statement there
5 beginning on line 18, page 9, to line 10, page 10.
6 MR. BARKOW: I am turning to that, your Honor, and I
7 haven't gotten there yet, but what I said yesterday before
8 Judge Chin I am ready to adhere to here.
9 THE COURT: Take a look at it.
10 MR. BARKOW: OK.
11 (Pause)
12 MS. GOLDBERG: I stand behind that statement, your
13 Honor.
14 THE COURT: All right. All the parties here know that
15 a bill of particulars is a discretionary matter for the Court,
16 and the purpose is to provide sufficient information about the
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17 charge to enable a defendant to avoid unfair surprise or to
 18 preclude a second prosecution for the same offense. It is not
 19 for discovery purposes. It is not to force additional
 20 discovery. And everyone here knows the cases, United States v.
 21 Torres, United States v. Bortnovsky. The defendants contend
 22 the Indictment is insufficient because it doesn't specify the
 23 conduct that was illegal. They argue that it simply tracks the
 24 language of the statutes.

25 I do think that both in the Indictment and, as using
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1 Mr. Barkow's statement before Judge Chin, the conduct that is
 2 alleged is quite clear, and I don't think the defense is
 3 entitled to further specificity here.
 4 MR. MEISTER: Your Honor, may I be heard on that?
 5 THE COURT: The codefendants are a separate issue that
 6 the defendants wanted and began under Nachamie, United States
 7 v. Nachamie. I really don't think you are entitled to it. The
 8 issue is whether or not the co-conspirators' identity is
 9 necessary, not whether it would be helpful. And based on what
 10 the government says in its papers here, the unindicted
 11 co-conspirators are people that the defendants had been aware
 12 of, that they worked with as part of the alleged conspiracy.
 13 So I am not at this point going to require further
 14 specification or, specifically, names of unindicted
 15 co-conspirators.

16 Yes, sir, somebody wanted to say something?

17 MR. MEISTER: Yes, your Honor, just with respect to
 18 the nature of the crime.

19 I understand that your Honor -- or that Mr. Barkow is
 20 now relying on the statements he made to Judge Chin, I think it
 21 was just yesterday --

22 THE COURT: Yes. I don't think there is anything
 23 surprising about that and it just gives you further
 24 specification.

25 Go ahead.

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1 MR. MEISTER: It was, frankly, your Honor, it was
 2 surprising to us. It was the first time that we had heard the
 3 government say that, in part, its case was based on implied
 4 misrepresentations, or what the government has said -- the
 5 government did not say that in the brief to your Honor. What
 6 the government said in the brief to your Honor was that its
 7 case was -- that there are no affirmative misrepresentations
 8 made, that they were going to -- that the fraud was based on
 9 omissions of material facts.

10 THE COURT: "By trading ahead or interpositioning,
 11 their failure to say that they were going to do these things
 12 constitute omissions. So there are no particular false
 13 statements that can be identified, but the failure to inform
 14 the public that they were going to do these things constitute
 15 omissions, and that is what we have told defense counsel."

16 MR. MEISTER: Not implied misrepresentations. Your
 17 Honor, I believe --

18 THE COURT: What is your question?

19 MR. MEISTER: Your Honor, I guess my request, your

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20 Honor, is that --

21 THE COURT: I mean, go back earlier in the statement:
 22 "In the context of a bill of particulars, there were no
 23 particular false statements that we could identify because the
 24 false statements theory here is that the defendants made
 25 implied representations that they would not cheat customers,

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1 steal from customers wishing to trade on the Stock Exchange,"
 2 etc. I think the government is adhering to that. In other
 3 words, they implied that they weren't going to cheat, that they
 4 weren't requesting to interposition or trade in front, and that
 5 is the false statement; is that right, government?

6 MR. BARKOW: Yes, your Honor.

7 THE COURT: All right. It is straightforward. It
 8 seems to me it is straightforward.

9 MR. MEISTER: I guess, your Honor, what we would
 10 request is if the government could provide a bill that just
 11 states that? Your Honor, we have been following what the
 12 government has been saying from case to case and including in
 13 this case, and just from our point of view, the government
 14 changes or adds from time to time.

15 THE COURT: Well, you have this statement. You have
 16 the government sit before Judge Chin. You have the government
 17 now saying that's their theory of the case. I'm not going to
 18 require them to say it again.

19 All right.

20 MR. MEISTER: Yes, your Honor, just on the second
 21 point, if I can just be brief?

22 THE COURT: Go ahead.

23 MR. MEISTER: On the second point, I understand your
 24 Honor has said that, we'll, based on the government's
 25 representations, the seven defendants here should know the

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1 other co-conspirators because these were people who they worked
 2 with -- with whom they worked for some period of time.

3 I would just stress to your Honor there were hundreds
 4 of people who worked at VDM. And this is not your typical
 5 conspiracy case, Judge, where, for example, there is some sort
 6 of drug activity where everyone in the drug activity should
 7 know or should know of others who were participating in the
 8 same activity. We are talking about a large company, all of
 9 whom were working in the same type of environment essentially
 10 doing the same sort of trading, whether or not the government
 11 says it was illegal or not. We are honestly in the dark as to
 12 where the government draws the line.

13 THE COURT: All right. Mr. Barkow, why don't you
 14 respond to that, because what Mr. Meister has just said is that
 15 he is analogizing it to United States v. Strawberry, which was
 16 Judge Parker's decision where he directed that the names of
 17 co-conspirators be turned over because the defendant hadn't
 18 been present at the incriminating events. I think what the
 19 defense is just arguing is this is similar because when you've
 20 got a company with hundreds of people participating, the
 21 defendants are at sea.

22 Is that fair enough?

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23 MR. MEISTER: That is very well stated, your Honor,
 24 yes.
 25 MR. BARKOW: Your Honor, first, the drug analogy is
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 1 helpful to the government, because as opposed to a case
 2 involving narcotics distribution where you might have people
 3 who are in a wide network who don't know each other, who use
 4 nicknames, who don't have all that contact except for a few
 5 people at the top, here we have specialists who sat sometimes
 6 for years this close, right next to them, to their clerks, to
 7 their secondary clerks, to their backup clerks, who were
 8 supervised by their supervisors. So they have intimate
 9 knowledge of the people who were around them.
 10 I recognize the company is a big company, but there
 11 may be unknown people, unknown to the defendants, who are also
 12 unknown co-conspirators. The government alleged
 13 co-conspirators known and unknown. I submit here that what is
 14 really at play here is that the defendants are attempting to
 15 get a witness list, because if we identify co-conspirators,
 16 there would be one particular type of co-conspirator who we
 17 identified that would be clerks. Those are the types of people
 18 who they worked with for years, who they know very well, and
 19 who sat right next to them for many months day after day after
 20 day. And it is just not the same as a drug conspiracy or even
 21 the conspiracy in Strawberry, where it might have pervaded some
 22 large entity. The conspirators know these defendants know.
 23 And so in the government's view this is a request for a witness
 24 list of people who they already know.
 25 THE COURT: All right. I am not going to change my
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 1 decision.
 2 Is there anything else we need do today?
 3 MR. BARKOW: I have two things, your Honor.
 4 One just relates back to the Court's ruling, and I
 5 just want to get clarification of something for myself and for
 6 the Stock Exchange.
 7 With respect to the screenshots, the government's
 8 proposal was to give the defendants access -- of actually
 9 really the Stock Exchange to give the defendants access to the
 10 SIAC facility for the screenshots.
 11 THE COURT: On each of the days --
 12 MR. BARKOW: That is not my question. My question is
 13 just the physical location. Our proposal was to give them
 14 access and that they need to go to the facility. I think at
 15 some point the Court might have used the word "produced," that
 16 the government should produce the data, and I just want to be
 17 clear that the Court wasn't ordering us to get it and give it
 18 to them but instead the SIAC --
 19 THE COURT: No. Given what I understand are the
 20 mechanics and time involved, no, I am not asking the government
 21 to do that.
 22 MR. BARKOW: That was one question.
 23 And the other one I guess is something that will
 24 probably inevitably come up, but the government would like to
 25 inquire, through the Court of the defendants and to the Court

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1 itself: we have a trial date of May 1st. We will be ready to
2 go on that date, we are preparing for trial now. But what we
3 would like to avoid -- this is a large case, there is a lot of
4 preparation here -- we don't know whether the defendants truly
5 intend to go, and we would like to know now whether that is a
6 date that we're committed to to go to trial or -- and if it is
7 not, we would like to change it now, and if it is, we would
8 like to keep it and stick with it.
9 THE COURT: I understand.
10 Defendants, are you ready to go on May 1, because the
11 Court is ready to go on May 1?
12 MR. BERKE: Judge, if I can address some issues?
13 Let me say that the defendants requested a trial in
14 May because we would like to try the case in May. I think
15 there are a couple of issues that we wanted to raise with your
16 Honor that certainly impact on whether a trial is in May,
17 whether we may need a few extra weeks, if your Honor's schedule
18 permitted it, and we are inclined to entertain that.
19 One of the things that concerns us about the
20 government's offer regarding SIAC is we understand that in
21 order to access this data, the government has put a tremendous
22 amount of restrictions on what our experts will be permitted to
23 do in accessing this data. We certainly appreciate the
24 confidentiality, proprietary issues and are prepared,
25 obviously, to enter into a very stringent confidentiality
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1 order, as we have done relating to other documents.
2 But what the government has said were the conditions
3 for accessing the material essentially would preclude our
4 experts from removing any of the materials that they review
5 during their visit to SIAC, from bringing any computers in
6 which, again, deal with computer data. That is essentially
7 what experts use in order to be able to look and work and try
8 to make sense of this data.
9 They would -- the expert is prohibited under what they
10 offer, would be prohibited from reproducing, recording, reverse
11 engineering, making derivative works or compiling or
12 decompiling any computer code or program related to the display
13 book materials.
14 One of the key purposes for accessing the material --
15 I'm sorry, for accessing the material would be to do just that,
16 to be able to in fact test what the government has done on
17 display books screenshots to see if in fact that is accurate,
18 reliable, etc., and to do other things that we have identified
19 in our papers. So that the conditions that have been attached
20 would not only extraordinarily delay the process of making use
21 of the material but would also essentially render it largely,
22 we believe, you know, if not ineffective, not particularly
23 effective.
24 THE COURT: Have you talked to each other about this?
25 MR. BERKE: Well, we had a discussion with --
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1 THE COURT: Because I can start going into it. I
 2 mean, I would have to be educated on the computer aspect of it.
 3 In general, it seems to me that the experts have to be
 4 allowed to manipulate the data they see. That's what experts
 5 do. And presumably the Stock Exchange wouldn't want that
 6 manipulation to occur in their computers.

7 So I would think the experts would have to be able to
 8 manipulate the data on their own computers. But, you know, I
 9 don't think I could take it to much greater depth or
 10 sophistication. That is just my general sense. I think the
 11 parties ought to talk about the issue before presenting it to
 12 me. So I am just asking whether or not you have talked to each
 13 other.

14 MR. BERKE: Here is what I would suggest, Judge. I
 15 had a conversation with Ms. Goldberg, Mr. Barkow's colleague on
 16 this case, very early on when this offer was made, and it was
 17 clear in our discussion that we were not going to reach
 18 agreement about what they are offering. The issue has
 19 essentially been in abeyance while we have been litigating
 20 these issues. I think it does make sense and we are happy to
 21 have those conversations forthwith.

22 Based on subsequent conversation I did have with
 23 Ms. Goldberg, I believe we probably are going to end up
 24 agreeing to disagree about some fairly core issues, but I agree
 25 it makes sense, before we present the substance of the

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1 disagreement, to discuss further, in light of your Honor's
 2 ruling and --

3 THE COURT: What you want to be able to do, or what I
 4 want the parties to be able to do, is for the experts to be
 5 able to have access to the data to be able to manipulate it in
 6 any way they want without interfering with the New York stock
 7 Exchange's proprietary system or database and for it all to be
 8 held within the parameters of this case and not used for any
 9 other purpose. It seems to me that's where we all want to end
 10 up.

11 Sir.

12 MR. BARKOW: Yes, your Honor.

13 Your Honor, the agreement to which Mr. Berke is
 14 referring is very detailed. It has been entered into in
 15 virtually all of the cases that are pending that are related;
 16 in fact, perhaps all. We are walled off, actually, from the
 17 agreement so I don't know exactly what the status is. But it
 18 is very detailed, and it is designed to protect the proprietary
 19 nature of the Stock Exchange's information.

20 Without getting into detail, one of the core elements
 21 of that is that the defendants' experts do their work at the
 22 facility on the computers that are at the facility and that
 23 belong to the Stock Exchange. When they are there, they can do
 24 all the things that these defendants want to do. They can make
 25 their own screenshots. They can make screenshots for an entire

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1 day. They can deconstruct and delve beneath the screenshots
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2 that we've produced. They can do -- they can make screenshots
 3 40 times longer than the ones we have. They can attempt to rip
 4 down the screenshots. They can do everything I think that they
 5 want to do, but they need to do it on the SIAC or NYSE
 6 computers.

7 THE COURT: Is there then something built into the
 8 system so everyone knows the Stock Exchange is not then going
 9 to get access to that information if it is on their own
 10 computers?

11 MR. BARKOW: Well, we are walled off, Ms. Goldberg and
 12 I are and the agent and I think -- I don't have the agreement
 13 in front of me but I think the SEC are walled off from the work
 14 product that is done at the facility, and so because of
 15 proprietary concerns, the Stock Exchange's counsel has a review
 16 mechanism in place to make sure that no proprietary information
 17 is taken out, but we're walled off from that.

18 We're even walled off from the identity of the experts
 19 who go in and perhaps some other things, as well, and that's
 20 why I don't even know who sent in the agreements because I'm
 21 walled off from it. So I want to put that out there.

22 This is a very stringent agreement. It was drafted by
 23 the Stock Exchange and it is extremely important to them, but
 24 we think -- I've seen the facility, accompanied by SIAC's
 25 security, and it is a private facility. There are three

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1 computers there, and they will sign up for time. Their expert
 2 will sign up for time. Lawyers can go with them, and they will
 3 be able to do everything they need to do but they will have to
 4 do it there.

5 If I can add one other point? Because of that
 6 agreement, one of the factors in the agreement is that the
 7 defendants' experts, as well as the defense counsel, have to
 8 get security clearance by SIAC to go in and out on their own
 9 time. So they can get IDs. That is a several-week process and
 10 because of the pendency of the dispute over screenshots, the
 11 experts will not actually physically be in SIAC doing this work
 12 for a few weeks.

13 Once they do that, there are defendants in other cases
 14 who are signing up for access to this facility. I think they
 15 are sharing experts, but, again, I don't know because I am
 16 walled off so there are not as many experts as there are
 17 defendants. But there is going to be competition for the space
 18 and basically hours of the full business day but not
 19 necessarily what, you know, the kind of 24-hour approach that
 20 they might want to do.

21 We haven't had conversations with these defendants
 22 about this in detail because of the pendency of the dispute
 23 over what they should have access to. Now that it's resolved,
 24 we will be ready and we would like to go to trial on May 1st.

25 I don't know that they are going to be able to do the
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1 things that they want to do by then, but it is our request that
 2 we decide that issue now because we basically are already
 3 preparing for trial and need to continue to do so now. But I
 4 don't think they are going to get there for a few weeks.

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5 THE COURT: I think the discussion of the proposed
6 agreement is premature until the parties talk more about it and
7 see what can be worked out among them.

8 I think the request is fair, as I understand it. The
9 trial date has been set for May 1. The Court is ready to try
10 it on May 1, and the government is saying are the defendants
11 serious about May 1. If so, they will know that. But if the
12 defendants are not serious about May 1, the government wants to
13 know that as well, and then presumably the parties will see
14 whether the Judge is serious about May 1.

15 Yes, sir.

16 MR. BERKE: Judge, let me tell you where we are.
17 We are serious about a date May 1 or shortly
18 thereafter. I say "shortly thereafter." We have been talking
19 May 1, May 15, possibly even June 1st, your Honor's schedule
20 obviously permitting. Everyone is anxious to try this case.

21 For us, the issue is we do know about this agreement.
22 I should say that the other defendants that have entered into
23 it have done it not exclusively. I think they specifically
24 said they'll take it as a first step, although they are
25 reserving all their rights to say it is completely inadequate,

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1 etc. I don't think any expert has been in yet to look at the
2 materials.

3 THE COURT: Let's start getting it underway. I think
4 you all have more knowledge about that than I do, obviously,
5 because you are talking to your co-defense counsel. Let's get
6 those clearances underway as quickly as we can, because I would
7 like to adhere to that May 1 date.

8 Go ahead.

9 MR. BERKE: Judge, the first of my two-part question:
10 Can we schedule a conference perhaps in three weeks to come
11 back before your Honor? Obviously, I think we will start
12 talking today about getting our people into SIAC as soon as
13 possible. I am hopeful it can be much quicker, as a way to
14 expedite this process, and then report back to you where we
15 stand because the delay --

16 THE COURT: I will do it in ten days. Why wait three
17 weeks?

18 MR. BERKE: That is fine, your Honor. I am saying
19 three weeks because I would like it to be the day after our
20 experts actually see what is being offered at SIAC, and I
21 just -- my hope is that in three weeks, they would be in and
22 actually look at it. If we can do it within ten days, as
23 quickly as the government believes we may have access to it, we
24 will do it.

25 MR. BARKOW: Your Honor, the process has been on going
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1 for more than ten days for every other defendant who has been
2 engaged, and no one has gone there yet.

3 One of the things that has to happen is the experts
4 and all the other people who wish to enter need to get
5 fingerprinted, and those fingerprints need to be sent to a
6 background check. They need to make two I think trips to the
7 facility and one to another one to go through various stages.

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8 And it just -- I know that there is one group of defendants
 9 that started this procedure a few weeks ago and they are not
 10 done. I think they are close to going but nobody has gone --
 11 THE COURT: Let me urge you all --
 12 MR. BARKOW: I just don't think it is going to happen
 13 in ten days.
 14 THE COURT: OK. I want to try this case on May 1. I
 15 want to get it moving. The defendants have a right to a speedy
 16 trial. You have heard Mr. Berke articulate several times his
 17 clients want to go to trial. Let's let him have his speedy
 18 trial rights. The government has said that it wants to go to
 19 trial as well.
 20 May 1 it is.
 21 Now, we have to work backwards from that. I urge the
 22 parties not to be just paying lip service to wanting to go to
 23 trial but to actually act consistent with that articulation.
 24 And what that means is pushing against the bureaucracy. It
 25 shouldn't take -- I understand sometimes it just does, but it
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1 shouldn't take a great deal of time to get these clearances.
 2 Somebody can walk the fingerprints through to wherever they
 3 need to go. Both the government and the defense have enormous
 4 resources here. Just push through on these procedural hurdles
 5 so we can get those experts in there.
 6 MR. BARKOW: Your Honor, I just want to be clear, it
 7 is not government bureaucracy. This is a Stock Exchange SIAC
 8 process that we do not control, and we have been -- and they
 9 are working hard on it. I don't want to say that they are not.
 10 But we have been -- there is a lot of things that they are
 11 doing that have nothing to do with this case, and we cannot
 12 just cut through the bureaucracy as we can perhaps if it were a
 13 government bureaucracy.
 14 THE COURT: I can't do anything except repeat myself.
 15 Go to them. Say, I represent the United States government.
 16 See what that does. Tell them you've got a crazed judge who is
 17 going to trial on May 1 and it is very important that this case
 18 move forward. Tell them you don't want to come back in front
 19 of that judge again and say I couldn't get the New York Stock
 20 Exchange to take fingerprints. Do what is necessary within the
 21 facts.
 22 MR. BERKE: Judge, can I say first, because I want to
 23 make sure that I wasn't misunderstood and I didn't misspeak,
 24 because I am mindful of the fact that I am also not speaking
 25 only on behalf of my client but of the fact that I am speaking
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1 for many other lawyers in the room, sparing your Honor from
 2 hearing everybody speak, and what I was intending to convey is
 3 that people want to go to trial in May. The question is can
 4 we, given these issues with the data, and because, obviously,
 5 we need to have the data that is underlying much of the
 6 government's proof.
 7 And the question I ask your Honor is really two-fold.
 8 One, would your Honor be able to entertain a request for a
 9 trial date that began on May 15th or June 1st, number one? And
 10 number two, could I have a minute to confer with other counsel

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11 regarding the discussions we have had today? I think there has
 12 been quite a bit of additional information for us about the
 13 trial date issue, because, obviously, I think our one concern
 14 is while we want to go to trial, we want to go to trial with
 15 the material we need to be prepared to present to your Honor.

16 THE COURT: I understand that, but what I'm trying to
 17 determine is whether the defense is speaking with forked tongue
 18 in regard to the trial date, because very often defense
 19 attorneys want to go to trial, on the one hand, and on the
 20 other hand, that is the last thing they want to do.

21 So if you genuinely want to go to trial on May 1, or
 22 May 15, that kind of two-week period I can live with, the
 23 parties will work to make sure that happens. And that's my
 24 current intention. Do I have a window there? Of course I have
 25 a window.

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1 But what I don't want to see happen is, you know, a
 2 month down the line we suddenly find that there are motions
 3 that are going to take months to brief and so the May 1 date is
 4 absolutely impossible. I think that would be unfair to the
 5 court and it would be unfair to the government.

6 If we are working to May 1, or a couple of weeks
 7 either way, that's OK

8 MR. BERKE: Your Honor, if I may lay it out? I assure
 9 you, you will never have to worry about either me or I think
 10 anyone else in this case speaking to you with forked tongue
 11 about trial date or anything else, and I understand your
 12 Honor's concern that we are trying to gain some strategic
 13 advantage through that date and I assure you we are not.

14 THE COURT: No, it is not a question of strategic
 15 advantage in so much as let's set a date and let everybody work
 16 consistent with that date and get this trial on and have a jury
 17 determine the facts.

18 MR. BERKE: What I think may be useful, your Honor, if
 19 I could try your Honor's patience for just a minute or two, is
 20 just to lay out: we've spent many hours as a group discussing
 21 these very issues, and I can assure you that when I came and
 22 said that we would like to try it whether it is May 15th or
 23 June 1st, I meant it, and that was based on these discussions.
 24 I think what may be helpful is for us to lay out to
 25 you the issues as we've identified them in our own discussions

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1 that relate to that question.

2 THE COURT: The trial date is May 1 or May 15. That's
 3 what we are talking about.

4 Go ahead. Talk amongst --

5 MR. BERKE: Your Honor, if I may have a minute?

6 THE COURT: Talk amongst yourselves.

7 MR. BARKOW: Your Honor, if I may --

8 THE COURT: I don't think you are a part of that.

9 MR. BARKOW: Can I ask you a question?

10 MR. BERKE: Yes.

11 (Discussion off the record)

12 MR. BERKE: Judge, thank you for your patience. We
 13 appreciate it.

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14 Judge, in addition to the data issue, which I think
 15 I've said enough about, Mr. Shapiro outlined sort of the other
 16 things that we anticipate, just so your Honor knows what we
 17 know. But first --
 18 MR. SCHAPIRO: First, we accept May 15th. We are very
 19 happy with May 15th.
 20 THE COURT: No, no. May 1 or two weeks thereafter.
 21 So our window is May 1 to May 15.
 22 MR. SCHAPIRO: That is perfect. We are very happy
 23 with that, your Honor, and we think we can do that.
 24 And just so that there is no confusion, your Honor, we
 25 just want to lay out a couple of things that will happen
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1 between now and then. If the Court wants to set a schedule, we
 2 can do it now, or otherwise we can raise these as seems
 3 appropriate, but I want to flag them to the Court.
 4 THE COURT: Go ahead.
 5 MR. SCHAPIRO: In between now and trial, among the
 6 things that we anticipate happening, we expect to file a motion
 7 pertaining to the government's Brady disclosure. We think we
 8 can do that quite soon, quite soon. If the Court wants to set
 9 a schedule, fine. Otherwise, we will do it as soon as we can
 10 and that is coming down the pike.
 11 We expect to file our motion to dismiss -- I can't
 12 guarantee that we'll do it but we strongly expect that we
 13 will -- based on the theory of the case as laid out by the
 14 government before Judge Chin yesterday. Because while the
 15 Court has ruled that that provides us with enough particularity
 16 concerning the conduct that happened, we believe it doesn't
 17 actually state a crime.
 18 Third, we anticipate that there is a reasonable
 19 likelihood, depending on what turns out from the SIAC
 20 investigation by our experts, of a Daubert hearing as to the
 21 admissibility of the screenshots. That is going to have to
 22 happen sometime between now and the trial, but, obviously, that
 23 can't happen until after our experts have spent some time at
 24 SIAC.
 25 We would like to approach the Court about early 3500
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1 material. We are all trying to move forward in a constructive
 2 way, be ready for trial between May 1st and two weeks
 3 thereafter. We think everyone is advantaged by having 3500
 4 material early. And this being a white-collar case, where
 5 there is no accusation of violence or threats, we think that
 6 one of our countervailing concerns that are outweighed by the
 7 advantage we would have to gain or may have by getting piles of
 8 transcripts for my imagination is 15, 16, 17 clerks, not to
 9 mention all the people who Mr. Barkow has told us he will
 10 produce with respect to their 3500 material, not to mention
 11 others who testified in depositions. I gather, from what
 12 Mr. Barkow said earlier today, that there are a variety of
 13 witnesses who testified before the SEC or whose deposition
 14 transcripts the government has and he said that it's classic
 15 3500 material. So we would like to have that in time to make
 16 good use of it.

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17 Then finally 17(c) subpoenas. It is obviously
18 possible that some of the parties or entities who we subpoena
19 will litigate the subpoenas, and so we want to make sure that
20 time is built in for that. We obviously didn't want to start
21 subpoenaing until we had your Honor's rulings on discovery,
22 because if Rule 16 covers certain matters, we didn't want to
23 send out Rule 17 subpoenas. So that is one other issue.
24 Those seem to us to be the main things that will need
25 to be resolved between now and the beginning of our trial on
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1 May 1st or two weeks thereafter.
2 THE COURT: Well, it is an awful lot. When do you
3 plan to make the motion to dismiss?
4 MR. SCHAPIRO: Your Honor, I think we can have that --
5 we can have our brief and our motion in 21 days from now.
6 THE COURT: March 1.
7 The government, do you have a sense of how long you
8 will need to respond?
9 MR. BARKOW: Your Honor, I guess if they take three
10 weeks to write them, we would like to have three weeks to
11 reply, then.
12 THE COURT: March 22 for the response. For reply,
13 March 31.
14 It may be more realistic to make it May 15. I am just
15 trying to be as realistic as possible because I am not going to
16 be able to dig into it until April if we are talking May 1.
17 Is the government's estimation still approximately
18 three months?
19 MR. BARKOW: Well, your Honor, I think that was the
20 combination of the government's case and the defense case
21 because our estimate was six to eight weeks. So for our case.
22 THE COURT: And I think it is more realistic to make
23 it May 15. We won't be shooting for May 1 because I am going
24 to need time on that motion to dismiss.
25 If there are going to be Rule 17(c) subpoenas, but you
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1 heard what I said as part of that, obviously get them out as
2 soon as you feel you can. Talk to each other about the 3500
3 material. I don't think we can do anything on a Daubert
4 hearing until you get your experts in there and know more about
5 it. Make your Brady disclosure motion as soon as you can.
6 Now, in regard to getting the experts into the SIAC
7 facility, the government, you said really ten days didn't make
8 sense, so when do you want to do it for a status report?
9 MR. BARKOW: Your Honor, if the defendants are going
10 to submit -- if they are not going to negotiate any terms in
11 the agreement and they are going to start submitting signed
12 agreements tonight to the Stock Exchange, not to us because we
13 don't get them, then I think my impression is that the
14 background check takes -- can I have a moment because there is
15 actually someone here from the Stock Exchange in the back?
16 THE COURT: Yes, sure.
17 (Pause)
18 MR. BARKOW: Your Honor, what I propose is that --
19 again, this is premised on the notion that the agreements are

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20 sent to the Stock Exchange later today or tomorrow -- that we
21 set a date for two weeks and if it slides a day or so, then we
22 could tell the Court.
23 THE COURT: Let's do it.
24 MR. BARKOW: Although, your Honor, I was told that
25 that is the belief of the Stock Exchange as to the fastest they
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1 will be able to process this.
2 THE COURT: Let's make it February 22. Let's make it
3 9 a.m. I have a trial but we will make it 9 a.m.
4 MS. PEERCE: Your Honor, I think a number of us have
5 school break week that week. I am just looking at my own
6 calendar.
7 MR. MEISTER: She is the bravest one of us all.
8 MS. PEERCE: I am the mother in the room, your Honor.
9 THE COURT: Well, that better gives the Stock Exchange
10 a little more time.
11 February 27.
12 MS. PEERCE: Thank you.
13 THE COURT: So February 27th. Let's do it at 12:30.
14 I will break the trial just before lunch. February 27th at
15 12:30 for a status report.
16 Now, I don't know what the trial schedules are on the
17 other cases, government, but perhaps the Stock Exchange can
18 provide access to the experts based on trial dates. I don't
19 know how the Stock Exchange is going to negotiate it if there
20 are lots of different experts. Maybe the defense is sharing
21 experts. But I put that out so that maybe we can get the
22 experts in this case in and then out expeditiously.
23 Since you indicated that somebody is here from the
24 Stock Exchange, you can see that the Court is interested in
25 getting this case on for trial, and I would appreciate anything
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1 the Stock Exchange can do to expedite access to the materials.
2 It obviously should feel comfortable in terms of that its
3 proprietary information is being kept proprietary, but I would
4 appreciate anything to give these experts the amount of time
5 and access to the facilities that they need in order for us to
6 get this case ready for trial.
7 Thank you.
8 Government.
9 MR. BERKE: Judge, as to the agreement, we will begin
10 speaking to the government immediately, including tomorrow,
11 and, hopefully, either reach agreement hopefully tomorrow or
12 figure out what we don't agree on and can agree on. And if we
13 reach the unfortunate position that we can't agree, would your
14 Honor be open to us contacting your Honor to appear before you
15 by phone or in person, however you prefer, to work out the
16 issues as quickly as possible?
17 THE COURT: We won't do it by phone, but we will do it
18 in person. And to the extent there are computer issues,
19 somebody is going to have to educate me on them. But, yes, I
20 am here if there is a dispute. Try not to have a dispute. If
21 there is one, I will handle it.
22 MR. BERKE: Thank you, your Honor.

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23 THE COURT: OK.
24 MR. BARKOW: Your Honor, I would ask that the Court
25 exclude time between now and the trial date in the interest of
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justice.

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2 THE COURT: Defense counsel, on the record?
3 MS. PEERCE: No objection, your Honor.
4 MR. RIOPELLE: No objection, Judge.
5 MR. BROWN: No objection, your Honor.
6 MR. MEISTER: No objection.
7 MR. BACH: No objection.
8 MR. SCHAPIRO: No objection.
9 MR. BERKE: No objection.
10 THE COURT: With the motion having been made by the
11 government for an exclusion of time pursuant to the Speedy
12 Trial Act from today until May 15th, the date of trial, having
13 been made and each of the defendants specifically stating they
14 have no objection, I hereby exclude time from today until
15 May 15th pursuant to 18 U.S.C. 3161(h)(8)(A).
16 The purpose of the exclusion is for continuity of
17 counsel as well as for trial preparation. There are going to
18 be motions, apparently. During the pendency of those motions,
19 there will be additional automatic exclusions, but this is to
20 each and any exclusion. I make the finding that the ends of
21 justice outweigh the interests of the public and each of the
22 defendants in a speedy trial, given the significant material
23 that has to be processed and the work involved for counsel on
24 both sides to prepare for trial.
25 All right. Thank you. I will see you on the next
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date.

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2 ALL COUNSEL: Thank you, your Honor.
3 THE CLERK: All rise.
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